

## **Summary of Laws and Regulations on Bank Indonesia**

<b>Regulation:</b>	Bank Indonesia Circular Letter Number 12/12/DPD - Repurchase Agreement Transaction on Chinese Yuan against Rupiah Securities of a Bank to Bank Indonesia
<b>Effective Date:</b>	8 April 2010

### **Summary:**

This Circular Letter constitutes an operational rule of Bank Indonesia Regulation No.12/6/PBI/2010 concerning Repurchase Agreement Transaction on Chinese Yuan against Rupiah Securities of a Bank to Bank Indonesia issued on April 7, 2010, regulating basic provisions as follows:

#### **I. A Submission of Bank's Plan for the Need of CNY and CNY/IDR Repo Transaction with Bank Indonesia**

1. The submission of a Bank's plan for the need of CNY to Bank Indonesia shall be conducted via the Reuters Monitoring Dealing System (RMDS) on Wednesdays at 09.00-11.00 AM, by using dealing code of BIJA. The plan for the need of CNY shall be based on the needs of the customers having Chinese company trading partners included in the List of Pilot Enterprises at the time of transaction, as set out in Appendix 1 to this Circular Letter.
2. A Bank conducting a CNY/IDR Repo transaction at the CNY/IDR Repo Window Time must to include the identity, nominal value, and remaining tenure of Securities. In addition, the application letter for a

pledge and power of attorney shall be included as set out in the example in Appendices 2 and 3 by no later than 1 (one) Jakarta business day after the CNY/IDR Repo Transaction Window Time at 12.00 AM.

## **II. Securities Valuation**

The Securities Valuation shall include the value of securities on the Value Date (first leg) and the Repurchase Value on the Maturity Date. The variable in the Securities valuation shall be, among other things, the price of Securities, accrued interest and haircut. Meanwhile, the repurchase Value shall use CNY fund variable on the value date and the nominal Value of Repo Rate. The example of a calculation shall be further explained in Appendix 4.

## **III. Settlement of a CNY/IDR Repo Transaction**

The settlement of CNY/IDR Repo Transaction shall include the settlement of transaction in the first leg and second leg. A Bank conducting a CNY/IDR Repo transaction must confirm the sending of settlement instruction through the BI-SSSS to Bank Indonesia in the first leg. In addition, a Bank must take several actions, among other things, as follows:

1. The Bank must settle CNY/IDR Repo transaction by repurchasing Securities at the Repurchase Value on the Maturity Date (second leg).
2. The Bank must provide confirmation to Bank Indonesia concerning the transfer of CNY funds to Bank Indonesia's account with the People's Bank of China by no later than 2 (two) Business Days prior to the Maturity Date.

#### **IV. Settlement of a CNY/IDR Repo Transaction in Special Conditions**

The settlement of CNY/IDR Repo transaction in special conditions shall occur if:

1. In the first leg, a Bank does not make a pledge of Securities on the Value Date. In such case, the relevant bank must return the CNY funds to Bank Indonesia's CNY account with the People's Bank of China by no later than 3 (three) Business Days after the Value Date.
2. In the second leg, a Bank cannot fulfill its obligation to transfer CNY Funds on the Maturity Date. In such case, Bank Indonesia will conduct the sale and/or early redemption of Securities within 3 (three) Jakarta business days after the Maturity Date.
3. The relevant Bank, within the period of CNY/IDR Repo transaction, suffers a decrease in the Composite Rating to below the minimum -3 Composite Rating requirements and/or Bank Indonesia found a violation of Bank Indonesia Regulation on a Bank's CNY/IDR Repo Transaction to Bank Indonesia. In such case, BI shall conduct an early termination of the CNY/IDR Repo contract.

#### **V. Sanctions**

Sanctions of the violation of these provisions shall be applied in the form of a written reprimand and/or sanction of financial penalty according to a certain calculation.